

NORWALL GROUP INC.



*the art of Norwall®*

University of Alberta  
1100 University of Alberta  
1100 University of Alberta  
1100 University of Alberta

ANNUAL REPORT 2001



|                                                     | 12/29/01         | 12/30/00  | 12/25/99  | 12/26/98  | 12/27/97  |
|-----------------------------------------------------|------------------|-----------|-----------|-----------|-----------|
| <b>Operations</b>                                   |                  |           |           |           |           |
| Sales                                               | <b>\$ 70,043</b> | \$ 73,722 | \$ 82,638 | \$ 82,761 | \$ 83,515 |
| Gross Profit                                        | <b>20,781</b>    | 23,373    | 25,464    | 23,580    | 21,070    |
| Income (Loss)<br>Before Income Taxes                | <b>3,939</b>     | 5,582     | 4,169     | 1,811     | (4,714)   |
| Net Income (Loss)                                   | <b>5,268</b>     | 3,632     | 3,457     | 1,387     | (5,052)   |
| EBITA                                               | <b>10,911</b>    | 13,465    | 12,792    | 11,081    | 9,648     |
| Working Capital Ratio                               | <b>4.8:1</b>     | 3.4:1     | 3.1:1     | 1.3:1     | 1.2:1     |
| Debt To Equity Ratio                                | <b>0.61:1</b>    | 0.68:1    | 0.96:1    | 1.43:1    | 1.65:1    |
| Interest Coverage Ratio<br>(EBITA/Interest Expense) | <b>6.35</b>      | 6.45      | 4.13      | 3.24      | 2.91      |

### Ratios

Working capital ratio has strengthened significantly over the past three years, due primarily to the structuring of the Corporation's credit agreement with ABN-AMRO Bank. Norwall's continuing strong financial progress was instrumental in achieving this agreement. The Corporation is currently negotiating with its banker to extend the current agreement in force, a portion of which expires February, 2003.

Debt to equity ratio of .61:1 for 2001 has declined significantly over the past five years; decreasing by over 120%. This ratio is expected to continue to strengthen in 2002 with debt anticipated to decrease by over \$5 million.

Norwall's interest coverage ratio, the product of earnings before income taxes, interest and amortization divided by interest expense, has risen by over 100% over the past five years, and in excess of 50% over the past three years.

Average interest on debt has declined from 10.3% in 1998 to 7.6% in 2001. The Corporation expects a further benefit in 2002 as current rates are approximating 5%.

## Sales Mix

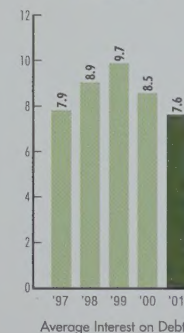
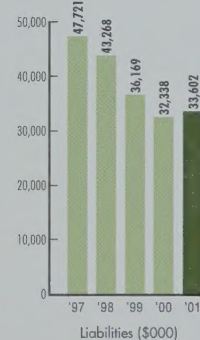
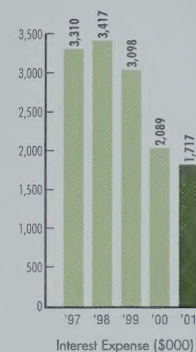
|                                           | Objective 2002 | Actual       |              |              |
|-------------------------------------------|----------------|--------------|--------------|--------------|
|                                           |                | 2001         | 2000         | 1999         |
| U.S. Distribution<br>(% Norwall)          | 50%<br>(55%)   | 56%<br>(55%) | 58%<br>(46%) | 63%<br>(42%) |
| Private Label                             | 20%            | 17%          | 24%          | 19%          |
| Mass Merchants, Export, Cdn. Distribution | 30%            | 27%          | 18%          | 18%          |
|                                           | 100%           | 100%         | 100%         | 100%         |

Over the past three years, Norwall's reliance on its U.S. distribution through Patton Wallcoverings has gradually diminished as projected, with sales of Norwall manufactured product via this channel meeting target. With increased sales anticipated for 2002, the Corporation expects to see a continued reduction in U.S. distribution as a percentage of the total, while Norwall manufactured product's share is expected to remain stable.

Private label sales for 2002 are anticipated to return to the levels achieved in 2000, as third party U.S. distributors ramp up their operations after scaling back significantly in 2001.

Mass merchants, exports and Canadian distribution sales are expected to rise to 30% in 2002, due primarily to the addition of new customers and expanded business with existing customers.

Pre-tax income for the fourth quarter of 2001 rose to \$0.8 million compared to a break-even position for the same quarter in the prior year.





**The** past year was a challenging one, both from an economic as well as a competitive standpoint, but we are well positioned for further growth in market share and profitability.

From 1996 to 2001, North American residential wallcovering sales declined by approximately 35% as faux paints took a larger market share of decorated walls. While Norwall's sales and pre-tax income declined, compared to the prior year, many of our competitors were caught with much more excess inventory, resulting in over a thousand truckloads of overstocked and discontinued product flooding the market, partly at 10% to 20% of cost. This problem, combined with the economic downturn in North America, led to a double-digit decline in demand for residential wallcovering product in 2001.

However, a turning point appears to have arrived in the sales cycle in the fall of 2001. Decorators renewed their call for the designs and colourations available only through print wallcoverings, and this trend bodes well for Norwall and its shareholders. The Corporation benefited from this growth particularly in the fourth quarter as sales increased 19% over 2000, and we expect that this recovery will continue throughout 2002.

I stated in my 2000 annual report message: "Norwall is poised to capitalize on market opportunities as we look forward to 2001 and beyond." Sales declined for the year 2001 by \$3.7 million or 5%, but this decline does not reflect our success in growing our core residential wallcoverings business. Last year, we grew our residential sales by approximately 3%, while our market was in double-digit retraction.

Certain private label customers reduced their number of collections in the marketplace in conjunction with the declining market demand. Projected 2002 sales for these customers are expected to rebound to the level achieved in 2000. In addition, we exited from the commercial wallcovering market in 2000 to focus on the residential segment that we believe has higher growth and profit potential.

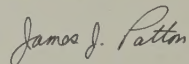
We were able to offset much of our business downturn with the sale of more Norwall branded product through its U.S. distribution network and additional mass merchant customers in Canada – exactly where we set goals to grow in 2001. And as a result, we have increased our market share of the North American residential wallpaper market to approximately 10%.

Even though the economic slowdown continues at this time in North America, we expect significant sales and profit increases in 2002. This anticipated growth will partially come from the addition of North America's largest retailer to our customer base starting early this year. The initial sale to our major new retail customer in the first quarter of 2002 was USD \$2 million and we expect this customer's sales to account for over 50% of the sales increase in 2002. Together with stronger demand for our manufactured products from private label and mass merchant customers, Norwall has budgeted revenue to increase by approximately 20% in 2002.

Norwall's long-term plan had projected an increase in sales, which led to the acquisition of two refurbished roto-gravure Cerutti printing presses since 1999 at costs nearly 70% below the price of new machines. Our expected sales growth can now be absorbed by our manufacturing facilities, and still leave approximately 20% of our capacity available for future growth.

Norwall's sales of residential product have grown as market acceptance of the Corporation's designs and colourways continues to strengthen. But while we continue our growth in the residential market, we plan to maintain our policy of not being too dependent on any one customer. We will also continue to avoid any significant up-front merchandising commitments in order to obtain new business.

Recognizing and responding to market trends has been a key factor in Norwall's growth over the past several years, and our design team is committed to maintaining its leadership role. Norwall's success has been anchored by a commitment to provide value to our customers through quality wallcovering at competitive prices, combined with industry leading service levels. With the continuing support of our dedicated workforce, we anticipate increasing our share of the higher-margin residential wallcovering market in the current year, providing shareholders with a strong, competitive return on investment.



JAMES J. PATTON  
Vice-Chairman,  
President and Chief Executive Officer

March 6, 2002

## **R. Derek A. Ashton: 1932–2002**

R. Derek A. Ashton, the non-executive Chairman of the Board of Directors of the Corporation, passed away suddenly on April 1, 2002.

Derek Ashton was the founder of North American Decorative Products Inc. ("NADP"), the predecessor corporation to Norwall Group Inc. NADP was incorporated in 1975.

Derek was the President and C.E.O. of Norwall from its inception until March, 1995, when he resigned from that position. Following his retirement from management involvement in the Corporation, Derek moved to his home in Bermuda and continued to serve on the Board of Directors.

Derek had been involved in the wallcovering business for over forty years and he will be deeply missed by his colleagues and friends.

## Overview

Norwall Group is one of North America's largest manufacturers and distributors of quality residential wallpaper and borders. The Corporation sells vinyl-coated wallcoverings to retailers and distributors at retail price points in the low to mid-market range.

The North American wallcovering industry faced a challenging period in 2001 on both the economic and competitive fronts. The industry has been characterized by consolidation, product rationalization and price competition.

## Strategy

Norwall has responded to this challenging business environment by capitalizing on its inherent competitive advantages: a base of established customers; a U.S. distribution network; flexible and efficient manufacturing capabilities; low production cost; and a strong balance sheet. The Corporation has re-oriented its focus from commercial to residential product lines, delivering value more directly to retail consumers such as do-it-yourselfers. Norwall intends to increase market share in this higher-margin market segment by providing a broad variety of creative and attractive new designs, as well as prompt delivery service, at the lowest possible cost. Increased profit margins, together with enhanced cost efficiencies, should enable the Corporation to reduce debt and interest expense.

## Sales

Total sales for Norwall declined 5% from the prior year, due to the following changes in its business.

- *Private label sales for several major customers declined by \$7.1 million from 2000 as those distributors elected to reduce the number of new collections they offer and lower inventory. Norwall estimates these sales in 2002 will return to the level achieved in 2000.*
- *Sales in 2000 had included \$5.7 million of commercial sales – a market which Norwall exited in mid-2000.*
- *U.S. distribution sales of Norwall product increased by \$3.4 million or 18%, with eleven new collections being introduced to the market.*
- *Mass merchant sales grew by \$4.2 million or 25%, as the Corporation expanded its customer base, primarily in Canada.*

With 14 new Norwall collections planned for introduction in 2002, and a significant recovery projected in the private label business, the Corporation appears poised to increase its sales and market share.

While consolidated sales for the Corporation for 2001 fell by \$3.7 million from the prior year, sales from on-going operations (excluding commercial sales) increased by \$2.0 million or 3%, in spite of a generally weakened economy. U.S. distributors for whom Norwall manufactures private-label products had postponed or canceled numerous collection launches anticipated for 2001, resulting in a 9.6% year-over-year decline in sales. Furthermore, Norwall's decision to exit the lower-margin commercial wallcovering market in mid-2000 led to an additional 6.9% decline in sales.







The Corporation was successful, however, in offsetting 70% of the overall decline through increased sales of Norwall product at Patton Wallcoverings (Norwall's wholly owned U.S. distributor), together with increased Canadian mass merchant and export sales.

The following quarterly sales trends highlight the impact of the North American economic downturn, and Norwall's ability to react to changing market conditions:

- *First quarter sales for 2001 declined \$1.9 million compared to the prior year as exiting the commercial wallcoverings market led to a drop of \$2.9 million, while sales of residential wallcoverings rose by 5.8% as new collections were well received.*
- *Sales in the second quarter were down by \$2.9 million compared to 2000, of which virtually all was attributed to the exit of the commercial wallcovering market, but this was partially offset by a 15% increase in sales via Patton Wallcoverings.*
- *Third quarter sales for 2001 declined by \$1.5 million versus the comparable period in the prior year. At this time, North America's economy was at its weakest point in the year, and competitors were struggling with double-digit declines in sales.*
- *Norwall's fourth quarter sales, which rose \$2.6 million or 19%, reflected increases in all key products.*

The Corporation anticipates that this trend of improvement will continue throughout 2002 as the continental economy stabilizes and recovers. Private label customers are planning to increase their orders, while U.S. distributors will have 14 new Norwall collections to add to their offerings. In addition, 2002 sales will be buoyed by the addition of an important new customer – North America's largest retailer – which has placed an initial stock order of USD \$2 million of product in the first quarter of 2002.

### **Gross Profit**

Stated as a percentage of sales, gross profit for 2001 was 29.7% compared to 31.7% in the prior year. This decline was the result of:

- *a non-recurring gain of \$400,000 in 2000, primarily related to exiting the commercial wallcovering business, which accounted for approximately 25% of the overall difference.*
- *reduction in higher margin contract sales, and*
- *higher manufacturing costs, arising from a 10% reduction in production to correlate inventory levels to sales demand.*

Partially offsetting the decline were the following:

- *increased sales of higher margin residential product via Patton Wallcoverings,*
- *exclusion from 2001 results of the lower-margin commercial sales, and*
- *reduced amortization of fixed assets of \$400,000 due to the extension of the estimated useful lives of machinery and equipment.*

With the anticipated increase in sales demand, gross margins are projected to surpass the level achieved in 2000. The projected 15% increase in plant production is also expected to improve cost efficiency with longer production runs and increased plant operating efficiencies. Raw material costs are expected to remain relatively stable in 2002. Norwall intends to provide 14 new collections to the market in 2002, which the Corporation believes will be required to offer the proper breadth of product to the marketplace.

### Operating Expenses

Excluding the impact of foreign exchange on its U.S. expenses, the Corporation's operating expenses (which are primarily payroll related costs) represented 22.5% of sales, compared to 21.6% in 2000. Actual expenditures declined approximately 4%, most notably at Patton Wallcoverings due to cutbacks in personnel and advertising expenditures. In spite of the projected sales increase for 2002, operating expenses are expected to remain relatively stable.

### Foreign Exchange Gain

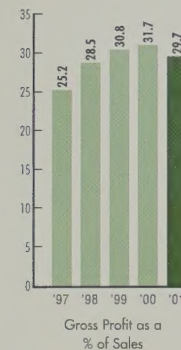
During 2001, 83% of Norwall's consolidated sales and 66% of its operating expenses were translated using the U.S. dollar. The strong U.S. dollar was beneficial to Norwall's operations, rising an average of 4.2% over the year compared to the Canadian dollar. Foreign exchange gains arise primarily due to holding gains and losses on working capital items, notably receivables and inventory, denominated in U.S. dollars. Any exchange rate fluctuation will have an impact on the Corporation's profits, and will be partially mitigated by the Corporation's hedging program.

### Interest Expense

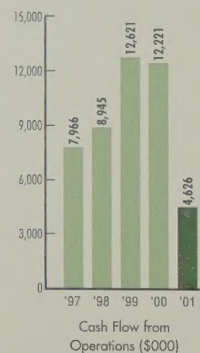
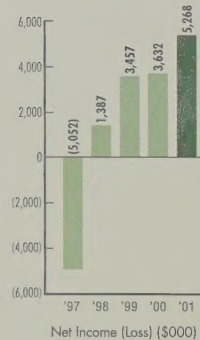
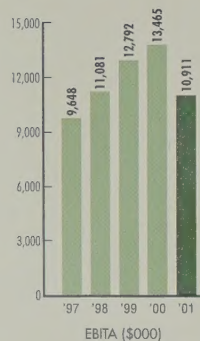
All of the Corporation's debt has variable interest rates. Interest expense in 2001 decreased to \$1.7 million from \$2.1 million in the previous year as a result of significant prime rate reductions (from 7.5% to 4.0%) throughout the year and lower average debt levels in 2001 compared to 2000. Economic consensus at this time appears to be that these interest rate reductions have ceased, and that rates will slowly increase during the latter part of 2002. While overall debt reduction remains a priority of management, net bank indebtedness increased by \$912,000 in 2001, as the \$3.0 million repayment on long-term debt was offset by higher bank debt required to finance the Corporation's increase in non-cash operating working capital. The increase in working capital resulted from higher receivables and increased finished goods inventory, both related to increases in sales during the fourth quarter of 2001. In 2002, Norwall anticipates that overall bank debt will be reduced by 25% to 30% of the 2001 year-end level.

### Income Taxes

The Corporation's income tax recovery in 2001 was \$1.3 million compared to an expense of \$2.0 million in the prior year. The income tax recovery resulted from the recording of an additional \$2.6 million benefit relating to U.S. tax losses available for carry forward, in recognition of a projected improvement in sales and profitability in the U.S. operations. As highlighted in Note 5 to the consolidated financial statements, the Corporation presently has a future income tax asset of \$4.6 million recorded in anticipation of using the benefit of these U.S. tax losses available for carry forward, while approximately \$2.0 million is unrecorded and may be realized in future years.







### EBITA

Earnings before interest, taxes and amortization declined from \$13.5 million in 2000 to \$10.9 million in the latest fiscal year. This was Norwall's first decrease over the past five years. Due primarily to the projected rise in sales, the Corporation anticipates a significant rise in EBITA for 2002, exceeding the level achieved in 2000.

### Income Before Taxes

Income before income taxes declined from \$5.6 million in 2000 to \$3.9 million in 2001, resulting from the decline in sales and the gross margins achieved as a percentage of sales, which were offset in part by a favourable foreign exchange impact of approximately \$400,000 compared to 2000.

### Net Income

Net income increased 45% to \$5.3 million in 2001 from \$3.6 million in the prior year, due primarily to the recording of an additional \$2.6 million benefit relating to U.S. tax losses available for carry-forward, as described earlier, which was partially offset by lower sales and gross margins. Earnings per share increased to \$0.82 in 2001 on a fully diluted basis, or 44% over \$0.57 in the prior year.

### Cash Flow From Operations

Norwall's cash flow from operations in 2001 was \$4.6 million, representing a decline of \$7.6 million from the previous year, primarily due to higher investments in receivables and inventory. The Corporation anticipates that cash flow from operations for 2002 will exceed the level achieved in 2000, and provide sufficient liquidity for anticipated operations and investments in working capital and capital assets.

### Asset Management

Norwall's investment in current assets rose by \$2.5 million during 2001 due to higher accounts receivable and inventory. The rise in accounts receivable was related to the higher fourth quarter sales, while inventory rose as Norwall expanded production to accommodate an initial product launch for a leading North American retailer.

Additions to capital assets of \$2.4 million include the installation of the refurbished Cerutti printing machine acquired in 2000, while approximately one-third of the expenditures were related to the acquisition of printing cylinders for new designs. An analysis of fixed assets during the year resulted in an extension of the estimated useful lives of machinery and equipment, thereby reducing depreciation expense by approximately \$400,000. Capital expenditures for 2002 are expected to approximate \$2 million, for projects previously approved by the Board of Directors.

Investment in customer merchandising programs pertains primarily to marketing materials provided to customers. They totaled \$4.2 million in 2001, representing an increase of \$964,000 from the prior year. The Corporation estimates that this level of expenditure will be required annually in order to achieve target increases in market share.

In accordance with Canadian generally accepted accounting principles, goodwill will no longer be amortized, starting in 2002. In the future, goodwill shall only be decreased if it is determined that there has been impairment in value. Management believes that the goodwill recorded at year end is supportable at this time.



### Bank Debt and Liquidity

Norwall is close to completing the second year of its three-year asset-based banking arrangement with ABN-AMRO Bank N.V. This agreement includes a revolving credit facility of USD \$14.5 million (or its Canadian dollar equivalent) secured by receivables and inventory, together with a term facility which was initially CND \$12.7 million on February 15, 2000. Monthly repayments on the term facility were \$250,000 for the first two years of the agreement, and \$83,333 for the final year. The term facility is open and prepayments are permitted without penalty. The Corporation anticipates that it will reduce debt by approximately \$6 million in fiscal 2002, driving down interest by an estimated \$300,000 based upon current interest rates.

All borrowings under this facility are currently in Canadian dollars, however the Corporation has the option of borrowing in U.S. dollars. As the bank agreement has a three-year term, Norwall's balance sheet reflects this bank indebtedness as a long-term liability, except for the portion due in 2002, as noted in Note 6 to the consolidated financial statements. Norwall's current debt structure is variable rate whereby a one-percent change in interest rates would change earnings by approximately \$100,000.

Norwall has increasingly strengthened its working capital and balance sheet, as illustrated by the following ratios.

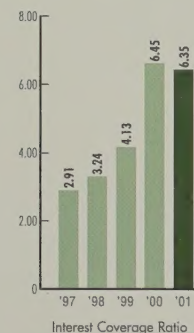
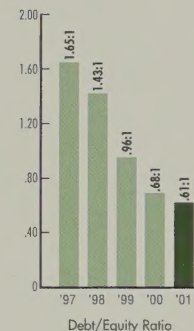
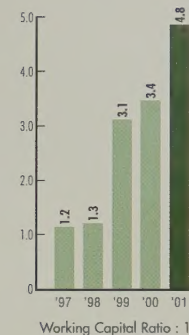
|                                                  | 01            | 00     | 99     | 98     | 97     |
|--------------------------------------------------|---------------|--------|--------|--------|--------|
| Working Capital Ratio                            | <b>4.8:1</b>  | 3.4:1  | 3.1:1  | 1.3:1  | 1.2:1  |
| Debt To Equity Ratio                             | <b>0.61:1</b> | 0.68:1 | 0.96:1 | 1.43:1 | 1.65:1 |
| Interest Coverage Ratio (EBITA/interest expense) | <b>6.35</b>   | 6.45   | 4.13   | 3.24   | 2.91   |

### Risk Management

The Corporation strives to manage certain risks in the normal course of its business.

#### Fluctuations in Foreign Exchange Rates

As in prior years, Norwall constantly reviews the foreign exchange markets with a view to protecting the Corporation from the risk of exchange rate fluctuations. Norwall has committed to contracts of USD \$22.5 million at an average rate of CND \$1 = USD \$0.64, with expiry dates through to March 2003. The purpose of these foreign exchange contracts is to fix the exchange rate on a portion of U.S. dollar denominated sales. Patton Wallcoverings manages its daily cash functions, and the foreign exchange contracts were established to offset the exchange risk relating to those funds that are expected to flow back to Canada.





#### Variations in Interest Rates

Subsequent to year-end, the Corporation entered into a three-year interest rate swap agreement with a major Canadian bank, for a notional amount of CND \$10 million, with Norwall assuming a fixed interest rate of 2.37% while the bank assumes the bankers' acceptance market rate, set quarterly. Under this arrangement, the bank has the right, but not the obligation, to terminate the agreement annually. The Corporation entered into this agreement to protect itself from rising interest rates in the short term.

#### Dependency on Major Customers based in the U.S. Marketplace

With over 83% of its consolidated sales generated in the United States, the Corporation remains very reliant on the state of the U.S. economy. While the U.S. experienced a significant slowdown during 2001, economists are currently calling for a stable economy during the first half of 2002, followed by progressive growth in the latter half of the year, and into 2003. Last year, Norwall had only one customer that accounted for more than 10% of consolidated sales. The Corporation's two largest customers are expected to account for approximately 25% of its sales in 2002.

Norwall also attempts to diversify its sales in its various product lines.

|                                                   | Long-Term Target | 01  | 00  | 99  |
|---------------------------------------------------|------------------|-----|-----|-----|
| U.S. Distribution                                 | 50%              | 56% | 58% | 63% |
| Private Label                                     | 20%              | 17% | 24% | 19% |
| Canadian Distribution, Mass Merchants and Exports | 30%              | 27% | 18% | 18% |

#### Changing Customer Trends

The residential wallcovering business is fashion oriented and dependent on the tastes and decorating budgets of consumers. Norwall attempts to mitigate the risk of changing consumer trends by offering a broad selection of low-cost products, and regularly introducing creative and exciting new designs of established graphic artists.

#### Environmental Risk

The Corporation's only manufacturing facility is in Ontario, Canada. Management is vigilant of current environmental legislation and ensures that operations comply with applicable regulations. The Corporation's capital budget provides funding deemed to be sufficient to meet regulatory requirements.



### Outlook

In spite of temporary uncertainty in the North American economy, Norwall is in a solid position to expand its sales, market share and earnings per share. Over the past several years, the Corporation has positioned itself as a niche player in the more profitable residential wallcovering market. To this end, the Corporation has adopted a sharply focused emphasis on kitchen/bath and texture collections, and expanded this focus to include children's lines and feature collections. This strategy has been successful in 2001 and is expected to drive Norwall's future growth. The Corporation has added North America's largest retailer to its customer base, and it is anticipated that the border program initiated with this customer will be a significant step in elevating Norwall's market share. In addition, private label customers are expected to further increase demand.

Costs, however, are expected to remain relatively stable, both in manufacturing and distribution operations, and gross margin levels are projected to surpass 32%.

The Corporation expects the residential wallcovering industry in North America to restructure and rationalize. As this occurs, Norwall is confident that it is strategically positioned to take advantage of market opportunities as they may arise.

### Forward-looking Statements

This Annual Report for the year ended December 29, 2001 contains forward-looking statements reflecting management's current expectations regarding future economic conditions, results of operations, financial performance, and other achievements of the Corporation. Actual results may differ materially from those in such statements. Norwall wishes to caution readers that those important factors described elsewhere in the commentary could affect the Corporation's actual results and could cause such results to materially differ from those expressed in any forward-looking statement made by, or on behalf of, the Corporation.

Management is responsible for preparing the accompanying consolidated financial statements and for assessing their objectivity and integrity.

Management believes that the consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and fairly report the Corporation's financial position and results of operations.

The consolidated financial statements include amounts that are based upon estimates and judgements which management believes are reasonable under the circumstances. The consolidated financial statements have been audited by PricewaterhouseCoopers LLP in accordance with Canadian generally accepted auditing standards, providing independent verification of management's presentation of the Corporation's financial position. Management has established the necessary system of internal controls designed to ensure that transactions are authorized, assets are safeguarded, and proper records are maintained. Norwall has an Audit Committee of which a majority of the members are neither officers nor employees of the Corporation. The Committee meets each quarter and has full and unrestricted access to the Corporation's auditors to ensure the integrity of management's financial reporting and adequacy of system of internal controls.



*James J. Patton*

James J. Patton  
Vice-Chairman,  
President and  
Chief Executive Officer

*E. Arthur G. Hampson*

E. Arthur G. Hampson  
Chief Financial Officer



## AUDITORS' REPORT

To the Shareholders of Norwall Group Inc.

We have audited the consolidated balance sheets of Norwall Group Inc. as at December 29, 2001 and December 30, 2000 and the consolidated statements of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 29, 2001 and December 30, 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*PricewaterhouseCoopers LLP*

Chartered Accountants  
February 15, 2002

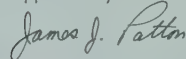
**CONSOLIDATED FINANCIAL STATEMENTS**  
**NORWALL GROUP INC.**

**Consolidated Balance Sheets**

(in thousands of Canadian dollars)

|                                                                   | <b>December 29, 2001</b> | <b>December 30, 2000</b> |
|-------------------------------------------------------------------|--------------------------|--------------------------|
|                                                                   | <b>\$</b>                | <b>\$</b>                |
| <b>Assets</b>                                                     |                          |                          |
| <b>Current assets</b>                                             |                          |                          |
| Cash                                                              | —                        | 1,004                    |
| Accounts receivable                                               | 14,853                   | 12,687                   |
| Inventories (note 2)                                              | 15,882                   | 14,434                   |
| Merchandising supplies                                            | 1,939                    | 2,222                    |
| Prepaid expenses and other                                        | 3,619                    | 3,460                    |
|                                                                   | 36,293                   | 33,807                   |
| <b>Capital assets</b> (note 3)                                    | 22,207                   | 21,416                   |
| <b>Investment in customer merchandising programs</b> (note 4)     | 6,888                    | 6,047                    |
| <b>Other assets</b>                                               | 261                      | 189                      |
| <b>Future income taxes</b> (note 5)                               | 4,600                    | 2,000                    |
| <b>Goodwill</b> – net of amortization of \$1,498 (2000 – \$1,282) | 1,693                    | 1,909                    |
|                                                                   | 71,942                   | 65,368                   |
| <b>Liabilities</b>                                                |                          |                          |
| <b>Current liabilities</b>                                        |                          |                          |
| Accounts payable and accrued liabilities                          | 6,249                    | 5,745                    |
| Income taxes payable                                              | 31                       | 1,158                    |
| Current portion of long-term debt (note 6)                        | 1,333                    | 3,000                    |
|                                                                   | 7,613                    | 9,903                    |
| <b>Long-term debt</b> (note 6)                                    | 22,122                   | 19,543                   |
| <b>Future income taxes</b> (note 5)                               | 3,867                    | 2,892                    |
|                                                                   | 33,602                   | 32,338                   |
| <b>Shareholders' Equity</b>                                       |                          |                          |
| <b>Share capital</b> (note 7)                                     | 31,981                   | 31,939                   |
| <b>Foreign currency translation adjustment</b>                    | (97)                     | (97)                     |
| <b>Retained earnings</b>                                          | 6,456                    | 1,188                    |
|                                                                   | 38,340                   | 33,030                   |
|                                                                   | 71,942                   | 65,368                   |

Approved by the Board



James J. Patton, Vice Chairman, President and  
 Chief Executive Officer



Edwin B. Matthews, Director



# CONSOLIDATED FINANCIAL STATEMENTS

NORWALL GROUP INC.

## Consolidated Statements of Income and Retained Earnings

(in thousands of Canadian dollars, except per share amounts)

|                                                                 | Year ended<br>December 29, 2001 | Year ended<br>December 30, 2000 |
|-----------------------------------------------------------------|---------------------------------|---------------------------------|
|                                                                 | \$                              | \$                              |
| <b>Sales</b>                                                    | 70,043                          | 73,722                          |
| <b>Cost of goods sold</b>                                       | 49,262                          | 50,349                          |
| <b>Gross profit</b>                                             | 20,781                          | 23,373                          |
| <b>Administrative, selling and<br/>warehousing expenses</b>     | 15,754                          | 15,948                          |
| <b>Income from operations<br/>before the following items</b>    | 5,027                           | 7,425                           |
| <b>Foreign exchange gains</b>                                   | 629                             | 246                             |
| <b>Interest expense</b>                                         | (1,717)                         | (2,089)                         |
| <b>Income before income taxes</b>                               | 3,939                           | 5,582                           |
| <b>(Recovery of) provision for<br/>income taxes (note 5)</b>    | (1,329)                         | 1,950                           |
| <b>Net income for the year</b>                                  | 5,268                           | 3,632                           |
| <b>Retained earnings (deficit) -<br/>Beginning of year</b>      | 1,188                           | (2,444)                         |
| <b>Retained earnings - End of year</b>                          | 6,456                           | 1,188                           |
| <b>Net income per common share</b>                              |                                 |                                 |
| Basic                                                           | 0.83                            | 0.58                            |
| Fully diluted                                                   | 0.82                            | 0.57                            |
| <b>Weighted average number of<br/>common shares outstanding</b> | 6,329,519                       | 6,309,703                       |

## Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

|                                                               | Year ended<br>December 29, 2001 | Year ended<br>December 30, 2000 |
|---------------------------------------------------------------|---------------------------------|---------------------------------|
|                                                               | \$                              | \$                              |
| <b>Cash provided by (used in)</b>                             |                                 |                                 |
| <b>Operating activities</b>                                   |                                 |                                 |
| Net income for the year                                       | 5,268                           | 3,632                           |
| Items not affecting cash                                      |                                 |                                 |
| Amortization                                                  | 5,255                           | 5,837                           |
| Future income tax<br>(recovery) expense                       | (1,625)                         | 492                             |
| Other                                                         | (159)                           | 14                              |
| Foreign exchange gains<br>relating to long-term debt          | —                               | (43)                            |
| Changes in non-cash operating<br>working capital (note 8)     | (4,113)                         | 2,289                           |
|                                                               | 4,626                           | 12,221                          |
| <b>Investing activities</b>                                   |                                 |                                 |
| Additions to capital assets - net                             | (2,382)                         | (2,055)                         |
| Investment in customer<br>merchandising programs              | (4,202)                         | (3,238)                         |
|                                                               | (6,584)                         | (5,293)                         |
| <b>Financing activities</b>                                   |                                 |                                 |
| Issuance of share capital                                     | 42                              | 36                              |
| Issuance of long-term debt                                    | 912                             | 24,905                          |
| Repayment of long-term debt                                   | —                               | (29,679)                        |
| Other                                                         | —                               | (261)                           |
|                                                               | 954                             | (4,999)                         |
| <b>Change in cash (bank indebtedness)<br/>during the year</b> | (1,004)                         | 1,929                           |
| <b>Cash (bank indebtedness) -<br/>Beginning of year</b>       | 1,004                           | (925)                           |
| <b>Cash - End of year</b>                                     | —                               | 1,004                           |

December 29, 2001 and December 30, 2000  
(in thousands of Canadian dollars, except per share amounts)

## 1 Summary of significant accounting policies

### Basis of financial presentation

The consolidated financial statements of the company include the assets, liabilities and operating results of the following wholly owned subsidiary companies:

- Norwall Holdings, Inc., and
- Patton Wallcoverings Inc., a wholly owned subsidiary of Norwall Holdings, Inc.

The year-end of the company is the last Saturday in December.

### Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates.

### Inventories

Finished goods inventories are valued at the lower of cost and net realizable value. Work-in process, raw materials and supplies are valued at the lower of cost and replacement cost. Cost is determined on a first-in, first-out basis.

### Capital assets

Capital assets are recorded at the lower of cost less amortization and net recoverable amount. Amortization is provided using the straight-line method to reflect the following estimated useful lives:

|                            |               |
|----------------------------|---------------|
| Buildings and improvements | 10 – 40 years |
| Machinery and equipment    | 5 – 29 years  |
| Furniture and fixtures     | 5 – 8 years   |
| Computers                  | 3 years       |

### Investment in customer merchandising programs

Investment in customer merchandising programs represents costs associated with providing point of sale material to retailers in the distribution business, which are amortized over the expected useful lives.

Certain up front payments to customers are deferred and amortized over a maximum of one year based on the expected sales volumes to be achieved.

### Deferred financing charges

Costs of obtaining long-term financing are amortized over the terms of the related debt.

### Goodwill

Goodwill is recorded at the lower of cost and net recoverable amount and represents the difference between the price paid for businesses purchased and the fair value of the related net tangible assets. Goodwill is amortized on a straight-line basis over 15 years. Any impairment in value is recorded in income when it is identified.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NORWALL GROUP INC.

December 29, 2001 and December 30, 2000

(in thousands of Canadian dollars, except per share amounts)

### Financial instruments

Realized gains and losses on foreign exchange forward contracts that hedge anticipated revenues are included in income when the revenue is earned. Unless otherwise indicated, the fair values of financial instruments, such as accounts receivable, accounts payable and accrued liabilities, income taxes payable and long-term debt, approximate their book values.

### Translation of foreign currencies

The operations of all of the company's U.S. operations are accounted for on the integrated basis. Monetary assets and liabilities of integrated subsidiaries are translated into Canadian currency at year-end exchange rates and the resulting gain or loss is included in income in the year. Non-monetary assets and liabilities are translated at historical exchange rates. The income statements of the integrated subsidiaries are translated at exchange rates prevailing during the years.

Monetary assets and liabilities of domestic operations, which are denominated in a foreign currency, are translated into Canadian currency at year-end exchange rates and transactions included in income are translated at rates prevailing during the years.

### Future income taxes

Effective January 1, 2000, the company adopted the liability method of income tax accounting. The new method was applied retroactively without restatement of the prior years' financial statements. Under the liability method, future income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future tax assets or liabilities are expected to be realized or settled. A valuation allowance is provided to the extent that management believes it is more likely than not that future income tax assets will not be realized.

### Stock-based compensation plan

The company has a stock-based compensation plan, which is described in note 7. No compensation expense is recognized for this plan when stock or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital. If stock or stock options are repurchased from employees, the excess of the consideration paid over the carrying amount of the stock or stock option cancelled is charged to retained earnings.

### Earnings per share

The company has adopted, on a retroactive basis, the new treasury stock method of calculating earnings per share, as required by the Canadian Institute of Chartered Accountants. This new accounting policy did not have a material impact on the consolidated financial statements. Fully diluted net income per common share for the year ended December 29, 2001 has been calculated using a denominator of 6,382,035 shares (year ended December 30, 2000 – 6,390,285 shares), which includes the dilutive effect of all outstanding common share options disclosed in note 7.

## 2 Inventories

|                 | December 29, 2001 | December 30, 2000 |
|-----------------|-------------------|-------------------|
| Finished goods  | \$ 14,665         | \$ 13,166         |
| Work-in-process | 363               | 349               |
| Raw materials   | 854               | 919               |
|                 | <u>\$ 15,882</u>  | <u>\$ 14,434</u>  |



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NORWALL GROUP INC.

December 29, 2001 and December 30, 2000  
 (in thousands of Canadian dollars, except per share amounts)

### 3 Capital assets

|                                       | December 29, 2001 |        | December 30, 2000 |        |
|---------------------------------------|-------------------|--------|-------------------|--------|
| <b>Cost</b>                           |                   |        |                   |        |
| Land                                  | \$                | 3,788  | \$                | 3,788  |
| Buildings and improvements            |                   | 6,944  |                   | 6,728  |
| Machinery and equipment               |                   | 29,849 |                   | 27,756 |
| Furniture and fixtures                |                   | 893    |                   | 820    |
|                                       |                   | 41,474 |                   | 39,092 |
| <b>Less: Accumulated amortization</b> |                   |        |                   |        |
| Buildings and improvements            |                   | 2,509  |                   | 2,241  |
| Machinery and equipment               |                   | 15,990 |                   | 14,713 |
| Furniture and fixtures                |                   | 768    |                   | 722    |
|                                       |                   | 19,267 |                   | 17,676 |
|                                       | \$                | 22,207 | \$                | 21,416 |

In 2001, the company extended the estimated useful lives of machinery and equipment by five years. This change in accounting estimate has been applied prospectively and resulted in a reduction in amortization expense of approximately \$400,000 for the year ended December 29, 2001.

### 4 Investment in customer merchandising programs

|                                       | December 29, 2001 |         | December 30, 2000 |         |
|---------------------------------------|-------------------|---------|-------------------|---------|
| <b>Cost</b>                           |                   |         |                   |         |
| Opening                               | \$                | 12,867  | \$                | 13,387  |
| Additions                             |                   | 4,202   |                   | 3,238   |
| Write-offs                            |                   | (3,260) |                   | (3,758) |
|                                       |                   | 13,809  |                   | 12,867  |
| <b>Less: Accumulated amortization</b> |                   |         |                   |         |
| Opening                               |                   | 6,820   |                   | 7,132   |
| Additions                             |                   | 3,361   |                   | 3,446   |
| Write-offs                            |                   | (3,260) |                   | (3,758) |
|                                       |                   | 6,921   |                   | 6,820   |
|                                       | \$                | 6,888   | \$                | 6,047   |

### 5 Income taxes

Income tax (recovery) expense differs from the amounts which would be obtained by applying the combined Canadian basic federal and provincial income tax rate, after the manufacturing and processing deduction, of approximately 34% (2000 – 35%) to income before income taxes. These differences result from the following:

|                                                                                              | Year ended<br>December 29, 2001 |         | Year ended<br>December 30, 2000 |       |
|----------------------------------------------------------------------------------------------|---------------------------------|---------|---------------------------------|-------|
| Provision for income taxes based on Canadian federal and provincial combined statutory rates | \$                              | 1,649   | \$                              | 2,454 |
| Manufacturing and processing deduction                                                       |                                 | (315)   |                                 | (502) |
| Valuation allowance reversal                                                                 |                                 | (2,930) |                                 | (440) |
| Benefit from provincial tax rate reductions                                                  |                                 | (395)   |                                 | –     |
| Impact of income tax reassessment                                                            |                                 | 413     |                                 | –     |
| Other                                                                                        |                                 | 249     |                                 | 438   |
|                                                                                              | \$                              | (1,329) | \$                              | 1,950 |
| (Recovery of) provision for income taxes                                                     |                                 |         |                                 |       |
| Current                                                                                      |                                 | 296     |                                 | 1,458 |
| Future                                                                                       |                                 | (1,625) |                                 | 492   |
|                                                                                              | \$                              | (1,329) | \$                              | 1,950 |

Significant components of the future income tax balances are as follows:

|                                                                | December 29, 2001 |         | December 30, 2000 |         |
|----------------------------------------------------------------|-------------------|---------|-------------------|---------|
| Future income tax asset –                                      |                   |         |                   |         |
| U.S. operations                                                |                   |         |                   |         |
| Operating tax losses carried forward expiring starting in 2006 | \$                | 9,000   | \$                | 9,000   |
| Investment in customer merchandising programs                  |                   | (2,500) |                   | (2,260) |
| Other temporary differences                                    |                   | 300     |                   | 60      |
|                                                                |                   | 6,800   |                   | 6,800   |
| Valuation allowance                                            |                   | (2,200) |                   | (4,800) |
|                                                                | \$                | 4,600   | \$                | 2,000   |
| Future income tax liabilities –                                |                   |         |                   |         |
| Canadian operations                                            |                   |         |                   |         |
| Depreciable capital assets                                     |                   | 3,534   |                   | 3,002   |
| Other temporary differences                                    |                   | 333     |                   | (110)   |
|                                                                | \$                | 3,867   | \$                | 2,892   |



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NORWALL GROUP INC.

December 29, 2001 and December 30, 2000  
(in thousands of Canadian dollars, except per share amounts)

### 6 Long-term debt

|                                                                                                             | December 29, 2001 | December 30, 2000 |
|-------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| Bank loans secured by inventories and accounts receivable, bearing interest at prime rate plus 1% per annum | \$ 16,706         | \$ 12,794         |
| Bank term loans secured on all assets, bearing interest at prime rate plus 1-1/4% per annum                 | 6,749             | 9,749             |
|                                                                                                             | 23,455            | 22,543            |
| Less: Portion due within one year                                                                           | 1,333             | 3,000             |
|                                                                                                             | <u>\$ 22,122</u>  | <u>\$ 19,543</u>  |

The company refinanced its long-term debt in fiscal 2000 and recorded a foreign exchange gain of \$43 associated with the translation of U.S. dollar denominated bank loans. The remainder of the foreign exchange impact in the statements of income and retained earnings relates to the translation of operating working capital items.

The company is required to meet certain financial covenants under the terms of the bank loans. The company has additional capacity under the loan secured by inventories and accounts receivable up to a maximum of US\$14,500 (or its Canadian dollar equivalent). This loan is due in February 2003.

Minimum principal repayments on the long-term debt are as follows:

|                     |                  |
|---------------------|------------------|
| 2002                | \$ 1,333         |
| 2003                | 17,706           |
| 2004                | 1,000            |
| 2005                | 1,000            |
| 2006 and thereafter | 2,416            |
|                     | <u>\$ 23,455</u> |

### 7 Share capital

#### Authorized

Unlimited number of Class A, non-voting, preference shares, redeemable and retractable at an amount of \$1,000 per share with a non-cumulative annual dividend of up to \$80 per share  
Unlimited number of Class B, non-voting, preference shares, redeemable and retractable at an amount of \$100 per share with a non-cumulative annual dividend of up to \$8 per share  
Unlimited number of Class C, voting, preference shares, redeemable at an amount of \$1 per share  
Unlimited number of common shares

December 29, 2001 and December 30, 2000  
(in thousands of Canadian dollars, except per share amounts)

## 7 Share capital (CONT.)

### Issued

|                                               | December 29, 2001 | December 30, 2000 |
|-----------------------------------------------|-------------------|-------------------|
| 6,336,936 (2000 – 6,316,936)<br>common shares | \$ 31,981         | \$ 31,939         |

The company has a fixed stock option plan. Options are granted to certain employees at the discretion of the Board of Directors and a maximum of 480,000 (2000 – 500,000) shares have been reserved for future issuance under the plan. The exercise price of each option equals the market price of the company's stock on the date of grant and an option's maximum term is ten years. Generally, options vest in the year they are granted.

The following table summarizes the activity over the past two years for options issued to date:

|                                                                   | Year ended<br>December 29, 2001 |                                          | Year ended<br>December 30, 2000 |                                          |
|-------------------------------------------------------------------|---------------------------------|------------------------------------------|---------------------------------|------------------------------------------|
|                                                                   | Shares                          | Weighted<br>average<br>exercise<br>price | Shares                          | Weighted<br>average<br>exercise<br>price |
| Number of common share options outstanding –<br>Beginning of year | 251,000                         | \$ 2.38                                  | 268,540                         | \$ 2.36                                  |
| Common share options exercised                                    | (20,000)                        | 2.11                                     | (17,540)                        | 2.00                                     |
| Common share options expired<br>and cancelled                     | (5,000)                         | 3.00                                     | –                               | –                                        |
| Number of common share options<br>outstanding – End of year       | 226,000                         | \$ 2.40                                  | 251,000                         | \$ 2.38                                  |

The following table summarizes information about stock options outstanding at December 29, 2001:

| Exercise<br>price | Weighted<br>average<br>remaining<br>contractual life | Number<br>outstanding and<br>exercisable at<br>December 29, 2001 |
|-------------------|------------------------------------------------------|------------------------------------------------------------------|
| \$ 1.60           | 5.5 years                                            | 50,000                                                           |
| 2.00              | 5.5 years                                            | 50,000                                                           |
| 2.85              | 6.5 years                                            | 111,000                                                          |
| 3.00              | 8.0 years                                            | 15,000                                                           |
|                   |                                                      | 226,000                                                          |



December 29, 2001 and December 30, 2000  
(in thousands of Canadian dollars, except per share amounts)

## 8 Changes in non-cash operating working capital

|                                          | Year ended<br>December 29, 2001 | Year ended<br>December 30, 2000 |
|------------------------------------------|---------------------------------|---------------------------------|
| Accounts receivable                      | \$ (2,166)                      | \$ 5,418                        |
| Inventories                              | (1,448)                         | (916)                           |
| Merchandising supplies                   | 283                             | (762)                           |
| Prepaid expenses and other               | (159)                           | (870)                           |
| Accounts payable and accrued liabilities | 504                             | (1,442)                         |
| Income taxes payable                     | (1,127)                         | 861                             |
|                                          | <b>\$ (4,113)</b>               | <b>\$ 2,289</b>                 |

## 9 Financial instruments

The company is subject to foreign exchange exposures arising from its foreign currency denominated sales which are primarily in U.S. dollars. The company manages this risk by buying foreign exchange forward contracts. At December 29, 2001, foreign exchange forward contracts with expiry dates through to March 2003 were outstanding for the sale of US\$22,500 (2000 – US\$24,750) at an average rate of CAN\$1.00 = US\$0.64. At December 29, 2001, the company would have been required to pay approximately \$827 (2000 – \$200) to terminate these foreign exchange forward contracts.

Subsequent to the year-end, the company entered into an interest rate swap agreement to fix the interest on the variable rate long-term debt for a notional amount of \$10,000. The company will pay interest to the counterparty at a rate of 2.37% per annum and will receive interest at the bankers' acceptance market rate. The contract, which can be terminated at the option of the counterparty at each anniversary date, matures in January 2005.

## 10 Related party transactions

At December 29, 2001, a director indirectly controls 42.1% (2000 – 42.3%) of the issued and outstanding common shares. An officer, who is also a director, at December 29, 2001 owns 20.9% (2000 – 20.5%) of the issued and outstanding common shares.

The company entered into the following transactions with a director or companies under his control. These transactions were recorded at fair market values:

|                        | Year ended<br>December 29, 2001 | Year ended<br>December 30, 2000 |
|------------------------|---------------------------------|---------------------------------|
| Rental of buildings    | \$ 456                          | \$ 438                          |
| Wallcovering purchases | 230                             | 138                             |

## 11 Contingent liabilities and commitments

The company is a defendant with respect to certain legal and other actions. The company's management and solicitors are vigorously defending these actions. Management believes that there will be no material liability in connection with these actions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
NORWALL GROUP INC.

December 29, 2001 and December 30, 2000

(in thousands of Canadian dollars, except per share amounts)

At December 29, 2001, the company had commitments under various operating leases, which require future minimum rental payments as follows:

|      |    |       |
|------|----|-------|
| 2002 | \$ | 449   |
| 2003 |    | 449   |
| 2004 |    | 428   |
| 2005 |    | 6     |
|      | \$ | 1,332 |

## 12 Segmented information

Management operates the company as an integrated entity with one operating segment. Geographic information is outlined below:

|                              | Sales     | Amortization | Income from operations before the following items | Capital assets and goodwill | Additions to capital assets |
|------------------------------|-----------|--------------|---------------------------------------------------|-----------------------------|-----------------------------|
| Year ended December 29, 2001 |           |              |                                                   |                             |                             |
| Canada                       | \$ 40,082 | \$ 1,770     | \$ 2,599                                          | \$ 21,870                   | \$ 2,264                    |
| U.S.A.                       | 39,503    | 3,485        | 2,469                                             | 2,030                       | 118                         |
| Intercompany eliminations    | (9,542)   | —            | (41)                                              | —                           | —                           |
|                              | \$ 70,043 | \$ 5,255     | \$ 5,027                                          | \$ 23,900                   | \$ 2,382                    |
| Year ended December 30, 2000 |           |              |                                                   |                             |                             |
| Canada                       | \$ 40,365 | \$ 2,038     | \$ 5,589                                          | \$ 21,033                   | \$ 1,955                    |
| U.S.A.                       | 42,614    | 3,799        | 1,813                                             | 2,292                       | 100                         |
| Intercompany eliminations    | (9,257)   | —            | 23                                                | —                           | —                           |
|                              | \$ 73,722 | \$ 5,837     | \$ 7,425                                          | \$ 23,325                   | \$ 2,055                    |

For the year ended December 29, 2001, sales in the U.S. included products manufactured in the company's Canadian plant amounting to \$21,826 (2000 – \$20,421). The Canadian operations include export sales of \$21,929 and \$26,028 for the years ended December 29, 2001 and December 30, 2000, respectively. Income from operations before the following items for the year ended December 30, 2000 includes approximately \$400 of income from non-recurring items, primarily related to exiting the commercial business.

The company's sales to a major customer accounted for approximately 13% of total sales in 2001 (2000 – 12%).



## Board Of Directors

The late R. Derek A. Ashton  
Deceased April 1st, 2002  
FORMER CHAIRMAN

James J. Patton  
VICE-CHAIRMAN, PRESIDENT AND  
CHIEF EXECUTIVE OFFICER

Edwin B. Matthews  
INDEPENDENT CONSULTANT  
BRAND COACH

William McIntosh  
PRESIDENT, MIZUNO CANADA LTD.

Donald M. Reid  
INDEPENDENT CONSULTANT TO  
THE FINE PAPER INDUSTRY

## Corporate Officers

The late R. Derek A. Ashton  
Deceased April 1st, 2002  
FORMER CHAIRMAN

James J. Patton  
VICE-CHAIRMAN, PRESIDENT AND  
CHIEF EXECUTIVE OFFICER

E. Arthur G. Hampson  
CHIEF FINANCIAL OFFICER

Peter J. Walmsley  
VICE-PRESIDENT, HUMAN RESOURCES  
AND CORPORATE SECRETARY

## Wholly-Owned Subsidiaries

Norwall Holdings, Inc.  
1106 Ridge Street  
Columbus, Ohio 43215

Patton Wallcoverings, Inc.  
1106 Ridge Street  
Columbus, Ohio 43215

## Shareholder Information

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E-mail: [invest@norwallgroup.com](mailto:invest@norwallgroup.com)

*Auditors*  
PricewaterhouseCoopers LLP

*Banker*  
ABN-AMRO Bank N.V., Canada Branch

*Legal Counsel*  
Fogler, Rubinoff

## Stock Exchange Information

Toronto Stock Exchange  
Market Symbol: NGI





